
The Compliance Connection

State Corporation Commission - Bureau of Financial Institutions
Regulatory News for Virginia Mortgage and Consumer Finance Licensees

OCTOBER 1998

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Suggestions and comments
concerning the newsletter or its
contents should be addressed to
the Bureau at the above address
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Y2K Update

On September 30, 1998 the Consumer Finance and Mortgage Section submitted its initial quarterly Year 2000 (Y2K) Status Report to the Commissioner of Financial Institutions. In all, 904 questionnaires were mailed, faxed or delivered by examiners to our licensees. Only 17 licensees failed to respond to the questionnaire.

Each questionnaire returned was assigned a rating code to reflect the licensee's current Y2K status. An "S", for satisfactory, was given to those licensees who indicated they were either Y2K compliant or have manual systems. An "ST", for satisfactory-temporary, was assigned to those licensees who were working to become Y2K compliant and who indicated a completion date with acceptable guidelines. A "NI", for needs improvement, was assigned to those licensees indicating they were working to become compliant but listed a date of completion that was not within acceptable guidelines. A "U", for unsatisfactory, was given to those licensees who either failed to respond or indicated they had not begun to address the Y2K problem. (continued on Page 2)

Scheduled Bureau Holidays:

November 11, 1998	Veteran's Day
November 26 - 27, 1998	Thanksgiving
December 25, 1998	Christmas
January 1, 1999	New Year's Day
January 18, 1999	Lee-Jackson-King Day



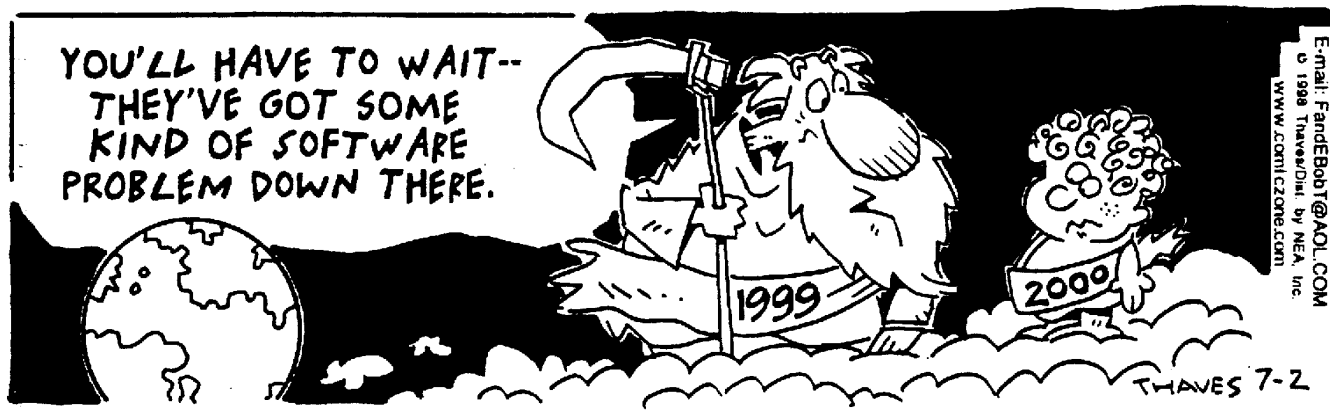
The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance, industrial loan and non-profit debt counseling agency licensees and other interested parties. We encourage you to read each newsletter and distribute the information to all staff members. Comments and suggestions are appreciated!!!

Y2K (continued):

A total of 393 licensees (43%) received an "S" rating. While commendable, this indicates a bit of work yet to be done in addressing the Y2K problem. Those licensees not rated "S" will be receiving follow-up questionnaires to evaluate their progress in becoming Y2K compliant. Failure to respond to the initial questionnaire or the follow-up questionnaire will result in a special examination by representatives from the Bureau. Failure to show satisfactory progress in addressing the Y2K problem may result in regulatory action by the State Corporation Commission (i.e. cease and desist order, fine, denial of various applications, or suspension or revocation of license). New licensees should expect to receive the Y2K questionnaire soon after notifying the Bureau of the opening of their office.

Remember that while the Y2K problem may effect your computer and the software programs you use, it may also effect your telephone system, fax, elevators, heating and air conditioning system, and building security, among other things.

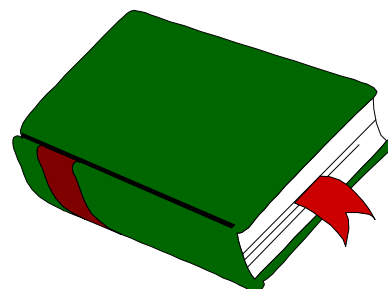
FRANK AND ERNEST / BY BOB THAVES



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New Law Books Have Arrived!

The 1998 Edition of the Laws of Virginia Related to Non-Depository Financial Services is being mailed out to all of our licensed companies. One copy of the law book will be sent to each licensee. Companies who wish to obtain additional copies of the law books must call the publisher -- Lexus Law Publishing-- at 1-800-542-0957. The product code is #3549812 and costs \$12.50 plus shipping and handling. We urge licensees to supply each of your branches with a copy of the laws so they will have it as a reference when needed. The Bureau will not be able to send out duplicate copies of the law book, so be sure to ask the person



who handles the mail to keep an eye out for the dark green covered booklet and to forward it to the appropriate person.

License Update:

The following is a list of companies who have surrendered their license, had their license revoked, application denied or been fined by the Commission **since June 30, 1998**. We hope this will be helpful in keeping track of companies with whom you do business. **These lists are accurate as of October 1, 1998**, so call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission. **NOTE: Doing business with an unlicensed mortgage company is a violation of Administrative Rulings 1603 and 1605, which can result in regulatory action.**

MORTGAGE LICENSES SURRENDERED SINCE JUNE 30, 1998

ML – 160 UNIVERSAL AMERICAN MORTGAGE COMPANY – 7/2/98	MLB – 461 TRAVELERS HOME MORTGAGE SERVICES, INC. – 8/20/98
MB – 1023 AMERICA'S MORTGAGE SOURCE, INC. – 7/7/98	ML – 301 FIRST FINANCE OF MICHIGAN, INC. (USED IN VA BY FIRST FINANCE, INCORPORATED) – 8/31/98
MB – 890 UNIVERSAL MORTGAGE CORP. – 7/24/98	MLB – 277 CITY FEDERAL FUNDING & MORTGAGE CORP. – 9/29/98
ML – 266 CREDIT DEPOT CORPORATION OF VIRGINIA – 8/3/98	MLB – 396 EDMUNDS FINANCIAL CORPORATION D/B/A SERVICE FIRST MORTGAGE – 9/30/98
ML – 290 TRI-STAR FINANCIAL SERVICES, INC. – 8/3/98	
ML – 125 THE MORTGAGE AUTHORITY, INC. – 8/3/98	

MORTGAGE APPLICATIONS DENIED SINCE JUNE 30, 1998

MB – 1223 A – K FINANCIAL, INC. – DENIED – 9/22/98



MORTGAGE LICENSE REVOCATIONS SINCE JUNE 30, 1998

MB – 1028 SENKO FINANCIAL SERVICES, INC. – REVOKED 9/2/98 FOR FAILURE TO MAINTAIN SURETY BOND

MB – 674 ADVANTAGE HOME MORTGAGE CO. -- REVOKED 9/2/98 FOR FAILURE TO MAINTAIN SURETY BOND

PENALTIES PAID BY MORTGAGE LICENSEES SINCE JUNE 30, 1998

NONE

Examiner's Top Ten List of Violations:

The following are lists of the ten most cited violations on Consumer Finance and Mortgage Examination Reports. How many of the violations listed below have you seen???

Top Ten Consumer Finance Violations:

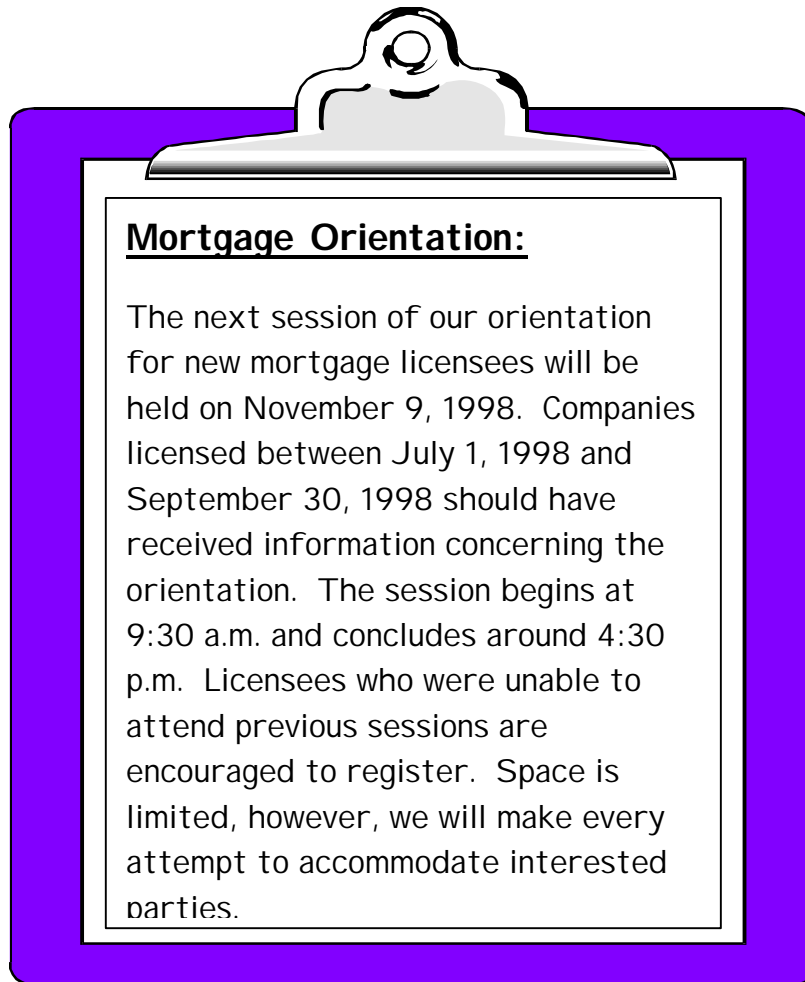
10. Failure to satisfy judgment upon payoff
9. Failure to release title to motor vehicle upon payoff
8. Failure to disclose security interest on federal truth-in-lending statement
7. Taking security interest in exempt household goods
6. Comingling open and paid files
5. Holding title in husband and wife's name and only obtaining one owner's signature on the security agreement
4. Collection of non-filing insurance premium more than once in 5 years
3. Calculating personal property insurance premiums on incorrect value of security
2. Failure to obtain borrower's authorization prior to collecting insurance premiums
1. Failing to return paid notes within 30 days of payoff



Top Ten Mortgage Violations:

10. Failure to cause the certificate of satisfaction to be executed within 90 days of payoff
9. Failure to prepare and mail the good faith estimate and servicing transfer disclosure within 3 days of the date of application and failure to disclose the yield spread premium on the good faith estimate of closing costs
8. Failure to retain the HUD-1 settlement statement or other required documents
7. Collection of third party fees in an amount in excess of the actual cost
6. Failure to provide the "Virginia Disclosure" to the borrower at the time of application
5. Relocation of an existing office or opening a new office without obtaining PRIOR approval from Commission
4. Retention of a copy vs. the ORIGINAL contract for compensation
3. Blanks left on agreements signed by the borrower(s)
2. Collection of prohibited points and/or fees on subordinate mortgage loans

1. Collection of broker fees not specified in a written agreement signed by the borrowers



IMPORTANT COMMISSION TELEPHONE NUMBERS



Consumer Finance and Mortgage Examinations(804) 371-9701

Licensing.....(804) 371-9690

Consumer Complaints.....(804) 371-9705

Banks and Savings Institutions.....(804) 371-9704

Corporate Information – Clerk's Office.....(804) 371-9733



SCC's Website “www.state.va.us/scc”

...check it out!

**Bureau of Financial Institutions
State Corporation Commission
P.O. Box 640
Richmond, Virginia 23218-0640**

**IMPORTANT REGULATORY
INFORMATION ENCLOSED!!!**